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DE RUEHAA #1126/01 2910855

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FM AMEMBASSY ASHGABAT

TO RUEHC/SECSTATE WASHDC PRIORITY 9561

INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE PRIORITY

RUCNCIS/CIS COLLECTIVE PRIORITY

RUCNMEM/EU MEMBER STATES COLLECTIVE PRIORITY

RUEHAK/AMEMBASSY ANKARA PRIORITY 2887

RUEHBJ/AMEMBASSY BEIJING PRIORITY 0708

RUEHKO/AMEMBASSY TOKYO PRIORITY 0584

RUEHIT/AMCONSUL ISTANBUL PRIORITY 1160

RHMFISS/CDR USCENTCOM MACDILL AFB FL PRIORITY

RUEAIIA/CIA WASHDC PRIORITY

RUCPDOC/DEPT OF COMMERCE WASHDC PRIORITY

RHEBAAA/DEPT OF ENERGY WASHDC PRIORITY

RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

RHEFDIA/DIA WASHDC PRIORITY

RUEKJCS/Joint STAFF WASHDC PRIORITY

RHEHNSC/NSC WASHDC PRIORITY

RUEKJCS/SECDEF WASHDC PRIORITY

RUEHBS/USEU BRUSSELS PRIORITY

RUEHVEN/USMISSION USOSCE PRIORITY 1829

RUCNDT/USMISSION USUN NEW YORK PRIORITY 0600

C O N F I D E N T I A L SECTION 01 OF 02 ASHGABAT 001126

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STATE FOR SCA/CEN, EEB

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E.O. 12958: DECL: 10/18/2017

TAGS: PGOV ECON EINV KCOR TU TX

SUBJECT: TURKMENISTAN: TURKISH BUSINESS LEADER "STRESSED OUT" OVER CHANGED TIMES, LOST INFLUENCE

REF: A. ASHGABAT 1014

1B. ASHGABAT 0778

Classified By: CHARGE RICHARD E. HOAGLAND

11. (C) SUMMARY: A Turkish businessman has recounted to us insider accounts of corruption and incompetence in Turkmenistan. We note his lament might be colored by his company's progressive loss of influence and contracts under the new government. His anecdotes suggest President Berdimuhamedov resembles a quintessential Central Asian khan-president whose instincts, however, might be generally positive. We believe Turkmenistan is moving in the right direction, but it still has light years to go. END SUMMARY.

12. (C) Newly promoted business development and investment director for Chalik Holding (textiles, energy, construction) in Turkmenistan, Aziz Chengal (protect throughout), asked to meet with the Charge on October 17. He lamented he is "stressed out" because he is responsible for making investment decisions but no longer knows the rules under the new government. Like his boss in Ankara, Ahmet Chalik (reftel A), he posited Turkmenistan is leaning more toward Russian businesses, but offered no concrete evidence, even when pressed.

A WITCHES' BREW OF AUTHORITARIANISM AND LACK OF CAPACITY

13. (C) Chengal said the energy and, especially, textile parts of Chalik Holding are still doing all right, but he probably will pull Chalik Holding back from industrial construction. He complained President Berdimuhamedov holds cabinet meetings demanding this, that, or the other be implemented, speeded up, or achieved on an impossible time line. Deputy Prime Ministers and Ministers feel the need to over-fulfill the plan to protect themselves, and then they make impossible demands on businesses.

¶4. (C) Chengal judged the fundamental problem is Turkmenistan has so few technocrats who can nudge the president's demands back toward reality. Further, he said, Berdimuhamedov's new ministers, almost all from his own Geo-Tepe tribe, know even less than former President Niyazov's ministers. Chengal estimated since 1992 Chalik Holding has sent about 500 Turkmenistanis abroad for technical education, of whom no more than 50 remain in Turkmenistan.

THE "INTRODUCTION FEE"

¶5. (C) Chengal noted a trend for more and more smaller, less established businesses to come calling on the government looking for new contracts, a fair number, no matter their country of origin, of whom are introduced by Russian intermediaries. Chengal alleged government officials who set up the appointments with top-level officials charge a 6-7% "introduction fee." But it was unclear if this is payable only if a deal is struck or required up front. Chengal worried that the current period is beginning to mirror the early days of Niyazov when most any international businessman -- legitimate or not -- had access, and then corruption flew out of control, leading to one of Niyazov's earliest clampdowns (reftel B).

THE MOTOR BURNED OUT -- REPLACE IT!

¶6. (C) Chengal recounted why, in his version, the Minister of Energy and Industry and Minister of Construction were recently fired. Chalik Holding had built a new cement plant

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about a year ago with state-of-the-art Siemens and Kawasaki Heavy Industry technology and equipment. The plant was designed to produce one million tons a year.

¶7. (C) When Berdimuhamedov's people took over, they disabled all the control and check valves on the equipment, and started producing cement at the rate of 135 million tons, selling the extra production on the black market. Of course, the equipment burned out. Berdimuhamedov allegedly was aware what really happened but didn't want to release the information. So he fired the two ministers who had profited the most and had Deputy Prime Minister for Energy, Construction, and Motor Transport Shagulyev call up Ahmet Chalik to insist the equipment his company had provided was defective. Shagulyev "requested firmly" Chalik replace it at his own expense, 350,000 euros. Chalik agreed, to keep peace, although his company had the "black box" from the Siemens equipment to prove what had happened.

¶8. (C) Chengal said one major industrial construction project he already has under way is a new state-of-the-art cotton ginning factory in Ashgabat with equipment supplied by American Eagle of Alabama. He said the government wants to build five more of the same factories all around the country to create jobs, but he is reluctant to bid on the new projects because of the experience with the cement plant.

¶9. (C) COMMENT: We don't doubt the veracity of Chengal's account. However, it is likely not the whole story. Other close observers point out the Berdimuhamedov government is progressively squeezing Chalik Holding because Ahmet Chalik, as a rich, young entrepreneur, had put all his eggs in Niyazov's basket to the extent Niyazov had conferred Turkmenistani citizenship on him, made him a deputy prime minister, and treated him like a son. Niyazov is gone, and Chalik Holding's dominance in Turkmenistan's economy may well be ebbing.

¶10. (C) COMMENT CONTINUED: If Berdimuhamedov fired the two ministers because their black-marketeering corruption burned out the Siemens cement equipment, that's evidence of his intention to fight corruption. However, Chengal's insider

accounts about corruption and incompetence are sobering.  
Turkmenistan has made a marked turn in direction this year,  
but it still has light years to go. END COMMENT.  
HOAGLAND